

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-07  
L-03 NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15  
USIA-15 AID-05 EB-08 TRSE-00 STR-04 OMB-01 CEA-01  
COME-00 FRB-01 XMB-04 OPIC-06 LAB-04 SIL-01 IGA-02  
AGRE-00 IO-14 OES-07 /126 W  
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FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 3726

UNCLAS ISLAMABAD 9108

E.O. 11652: N/A

TAGS: EGEN, EFIN, EAGR, EIND, PK

SUBJ: INTERIM GOVERNMENT'S DENATIONALIZATIONS

REF: ISLAMABAD 9016

1. IN A SPEECH ON SEPT 2 (REFTEL) SECRETARY GENERAL IN CHIEF ISHAQ KHAN SET FORTH THE DETAILS OF THE DENATIONALIZATION ANNOUNCED SEPT 1 BY THE MLA. THE ACTION INCLUDED 553 RICE MILLS (SHELLER UNITS), 124 FLOUR MILLS AND 279 SMALL COTTON GINNING UNITS (OUT OF A TOTAL OF 579). EXCEPT FOR 300 COTTON GINNING FACTORIES RETAINED IN THE PUBLIC SECTOR, THIS COMPLETES THE RETURN OF 2,773 AGRO-BASED INDUSTRY UNITS TAKEN OVER BY THE GOVERNMENT ON JULY 17, 1976. TO PLACATE THE OPPOSITION THE BHUTTO GOVERNMENT HAD ALREADY DENATIONALIZED 1,517 RICE HUSKING UNITS ON MAY 11, 1977. THE 300 COTTON GINNING FACTORIES ARE BEING RETAINED AS A WAY OF PROTECTING INTERESTS OF COTTON GROWERS, AND REVITALIZING THE SICK TEXTILE INDUSTRY.

2. WITH DENATIONALIZATION OF RICE MILLING UNITS ADMINISTRATIVE ARRANGEMENTS FOR PROCUREMENT OF RICE IN FORCE PRIOR TO JULY 17, 1976 WILL BE RE-INTRODUCED. THE UNCLASSIFIED

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MONOPOLY PROCUREMENT SCHEME WILL AGAIN BE IN EFFECT AND THE GOVERNMENT WILL APPOINT AUTHORIZED RICE DEALERS THE PURCHASE PADDY AND SUPPLY IT TO THE RICE CORPORATION. KHAN ALSO SAID THAT MEASURES WILL BE INTRODUCED TO ENSURE REMUNERATIVE PRICE TO GROWERS AND THAT FLOUR MILLING WILL BE SUBJECTED TO TIGHTER CONTROL TO ENSURE THAT GOOD QUALITY ATTA BECOMES AVAILABLE TO CONSUMERS.

3. HE SAID THAT THE GOVERNMENT IS APPOINTING A COMMISSION FOR GENERAL REVIEW OF THE PERFORMANCE, CURRENT POLICIES AND CONDITIONS OF STATE INDUSTRIAL ENTERPRISES MOST OF WHICH ARE UNDER THE BOARD OF INDUSTRIAL MANAGEMENT. MAJOR TERMS OF REFERENCE OF THE COMMISSION INCLUDE, (A) CAUSES FOR UNDER UTILIZATION OF CAPACITY AND PRODUCTION SHORTFALLS FOR EACH UNIT AND EACH CORPORATION, (B) MEASURES FOR IMPROVEMENT OF PHYSICAL PERFORMANCE AND RESTRUCTURING OF UNITS, IF NECESSARY, (C) INVESTMENT POLICY AND MODES OF FINANCING, (D) PRICING POLICY OF VARIOUS ENTERPRISES, AND (E) GENERAL AND SPECIFIC TRENDS OF LABOR AND MANAGEMENT PRODUCTIVITY AND EFFICIENCY. COMMENTS. ACCORDING TO FIGURES MADE AVAILABLE BY THE GOVERNMENT, THE NATIONALIZATION OF AGRO-BASED INDUSTRIES UNITS RESULTED IN A TOTAL LOSS OF RS.500 MILLION. THESE INDUSTRIES PROVIDED GREATER OPPORTUNITIES TO CORRUPT PEOPLE AND THE BENEFITS OF FIXED PRICES WERE NOT PASSED ON TO CONSUMERS. A PRIVILEGED CLASS OF PERMIT HOLDERS EMERGED WHICH MADE WINDFALL PROFITS. IN JUDGING KHAN'S CRITICISMS OF THE CONFUSION BETWEEN THE PUBLIC AND PRIVATE SECTORS, IT SHOULD BE REALIZED THAT THE TAKEOVERS WERE AN AMALGAM OF UNRELATED BUSINESSES LIKE ICE FACTORIES, POULTRY, FISH FARMS, POWER LOOMS AND A HOST OF OTHERS ALL OF WHICH COULD NOT

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BE RUN UNDER PUBLIC SECTOR MANAGEMENT AND REMAINED IDLE AND UNPRODUCTIVE. COTTON GINNING AND RICE MILLING BEING SEASONAL ACTIVITIES, PUBLIC SECTOR LACKED FACILITIES TO SWITCH OVER THE IDLE LABOR TO OTHER PRODUCTIVE EMPLOYMENTS DURING OFF-SEASON. EVEN APART FROM THIS TAKEN OVER UNITS WERE OVERSTAFFED, E.G., THE NUMBER OF EMPLOYEES IN GINNING FACTORIES ALONE WENT UP FROM 25,000 TO 50,000 FOR RUNNING HALF THE NUMBER OF GINNING UNITS AS COMPARED TO THE NUMBER OPERATED BY THE PRIVATE SECTOR.

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## Message Attributes

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